



LEHMAN BROTHERS INC.  
399 Park Avenue  
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New York, NY 10022

April 14, 2005

VIA E-MAIL (CHAN@CI.SUNNYVALE.CA.US)  
AND UNITED PARCEL SERVICE

Ms. Amy Chan  
Executive Director, Sunnyvale Redevelopment Agency  
Sunnyvale City Hall  
456 West Olive Avenue  
Sunnyvale, CA 94088-3707

Dear Ms. Chan:

As you have heard from Mark Calvert and perhaps others, the sale of Sunnyvale, LLC's assets occurred by means of deeds recorded and documents delivered on April 5, 2005. Immediately prior to the sale, Fourth Quarter Properties, XLVIII, LLC ("Fourth Quarter"), which Lehman had acquired from Forum Development Group ("Forum") a couple of months ago when its prior contract had expired, was conveyed to Forum's principal equity investor, Stan Thomas. Sunnyvale's assets were then sold to Fourth Quarter, as were two contiguous parcels known as the Mathilda and Crossroads properties, which Lehman had acquired within the last year to complete the land assemblage necessary for the new lifestyle center in Sunnyvale.

The sale to Fourth Quarter was completed in accordance with and as authorized by a series of bankruptcy court orders, the latest entered on March 30, 2005. Sunnyvale, LLC reported the consummation of the transaction to the Bankruptcy Court on April 6, 2005. Any appeal of the latest enabling order authorizing the sale of Debtor's assets consistent with the order of confirmation would have had to have been filed by April 8, 2005. No appeal was filed, and I am pleased to report that the sale is now final and not subject to further challenge.

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I want to express Lehman's sincere appreciation to the City's Staff and to the members of City Council who worked tirelessly with Lehman's representative, Mark Calvert, as well as with other impacted constituencies to develop a financially viable plan that would promote the development of a first-class lifestyle center for City of Sunnyvale.

I have been asked to comment on the selection of Forum/Fourth Quarter as the developer chosen by Lehman to acquire the site. As the Staff and Council are keenly aware, Lehman had previously worked extensively with the Forum development team for most of last year as the entity to acquire and develop the site. Lehman believed then, as did the City, that the Forum team had the talent and experience to create a high quality project for Sunnyvale. When, however, the process of finalizing the transaction became more drawn out than either Lehman or the City had anticipated, Lehman decided to explore the opportunity of exposing the Sunnyvale site to other shopping center developers.

After making that decision, but with recognition that the City had specific rights under the DDOPA to evaluate and approve as qualified or not other developers who might wish to acquire the site, Lehman engaged in an extensive exposure of the opportunity to the market and, thereafter afforded the City's Staff the ability to review and consider the qualifications of those parties who, from a threshold standpoint, were sufficiently within a range of preliminary acceptability to warrant the City to interview and evaluate.

With the City's cooperation, that evaluation process was accomplished within a couple of weeks and the field of potential acquirers was narrowed to four that both Lehman felt merited consideration and which the City found acceptable.

As the process continued, Lehman focused on its paramount goal of finally securing an unconditional purchase of the Sunnyvale site that would allow it to recover a portion of its significant investment that had been outstanding for as much as five years. In assessing the offers received from the remaining bidders, including an offer from an entity owned by Forum's significant equity investor, Thomas (who had continued to express interest in the acquisition throughout the time that Lehman explored a sale to other potential acquirers), it became apparent that the best proposal that made a closing most likely and without contingencies was the offer from the Forum-related entity.

Obviously, Lehman, like the City, would have preferred to have consummated the transaction late last year and thus avoid the delay in it realizing on the sale of both its loan collateral and of the contiguous properties it had purchased to complete the assemblage. I can assure you, though, that it was not until very shortly before a sale contract was reached that Lehman, considering its options, made the decision to proceed with Forum team. Perhaps because the Forum team had worked as extensively as it had with the City's planning staff, they were more comfortable than certain other of its competitors in accepting Lehman's terms for an

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expedited closing. Similarly, Lehman was satisfied that the Forum team, by reason of the financial support behind the acquisition, would close the purchase contract.

I hope this answers the City's questions and that the City of Sunnyvale is excited that Forum had consummated the purchase and is moving forward with the project's development.

If you have any questions regarding the foregoing, please feel free to contact David Broderick at 212-526-2453.

Very truly yours,

  
Lehman Brothers Inc.

DSB/jkm

cc: Mark Calvert  
William Brown  
Mark S. Kaufman